

### POLITICS AND GOVERNANCE

- Even with the Parliament in vacation, Moldovan political scene has been very buoyant in January this year. Aside from internal tensions among and inside political parties, the past month was rich in foreign policy developments. While trying to disentangle significant evolutions from the secondary ones, our attention was caught by the following:
- As all previous governments, the ruling Alliance for European Integration (AEI) does not seem wise enough to avoid touching upon thorny political issues related to ethnicity, language, and others alike. Because there are more dividing than uniting issues among the four AEI constituents, attempts to forcefully promote “identity solutions” - in the extremely fluid political environment - pose major threats to the AEI unity.
- In 2001-2009 key mid-level and executive positions in the public administration were occupied by political cronies of the Communists Party. This is why the current government meets pockets of “institutional resistance”. The government tries to purge institutions and here the on-going discovery of the budget resources embezzlement schemes engineered under the Communists rule provides the necessary legal grounds. However the “algorithmic” division of responsibilities among the AEI constituents is a key stalemate undermining professional management of the public institutions.
- In January Moldova started a diplomatic campaign in Western capitals to draw attention to Moldova’s problems and to get the much necessary financial and political support. Most of these efforts have been followed by financial packages coming to Moldova (from IMF, MCC, and WB, to mention only the most important). The visit of the Romanian president Traian Basescu was an important event, as it clearly defined the geopolitical stance that Romania has adopted on Moldova. But the visit of the Lithuanian prime-minister Andrius Kubilius was an equally, if not more, important visit, taking into account the important role Lithuania tries to play in EU’s Eastern affairs.
- Russia has lately had a less than negligible presence in Moldovan politics. With Ukrainian elections, and other important evolutions in its “near” and “far” abroad, Russia appears to be distracted and unable (or unwilling) to put forward a meaningful policy on Moldova so far. However, once the presidential campaign in Ukraine passes, expect more of Russia in Moldova.

### In this issue:

- Implications of the most significant political evolutions in January 2010;
- Review of the GDP data for Q1-Q3’2009 with additional analysis;
- Was the agriculture decline in 2009 as bad as it seems?
- Moldovan industry has suffered one of the deepest recessions in Europe and CIS;
- Transport sector tends to stabilize; how successfully?
- Evolution of prices, households income and consumption in late 2009;
- Analysis of the banking sector;
- New trends in monetary policy;
- The global growth is expected to be stronger but highly fragile;

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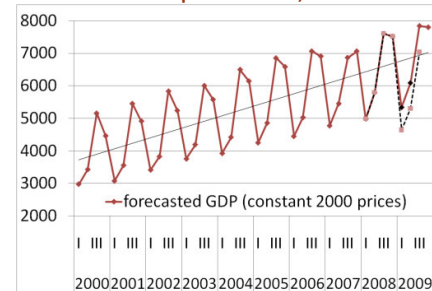
#### Contact details:

address: MD-2012, Moldova, Chisinau, Columna str., 133, office 1  
telephone: 373-22-930014,  
fax: 373-22-211599  
email: [info@expert-grup.org](mailto:info@expert-grup.org),  
web: [www.expert-grup.org](http://www.expert-grup.org)

### GDP

- During Q1-Q3’09 the GDP declined by 7.7% y-o-y, but it fell about 12% against potential (calculated using a SARIMA model that decomposes dynamic series in trend, seasonal and random components; see Chart 1). This is marginally better than in the first two quarters. However, a deeper look at the GDP structure is worrisome since the pace of investment decelerated even more in the third quarter (-35% y-o-y in Q1’09, -37% in Q2’09 and -44% in Q3’09). Because of such a dramatic investment contraction, we expect the economic recovery to be slow and difficult.
- On the other hand, an important upbeat development is the strong growth of inventories. After a sharp contraction of inventories in Q4’08-Q2’09 (Chart 2), their growth in the third quarter 2009 we interpret as a forward-looking

Chart 1. Real versus potential GDP, million MDL

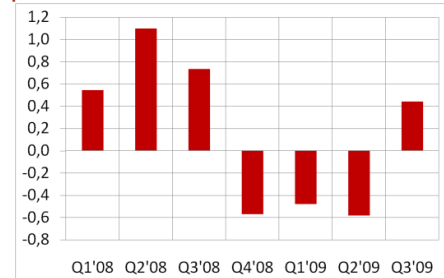


Source: EG based on NBS

indicator suggesting a positive turn-around in the aggregate demand. Stabilization of retail trade and growth of services rendered to population in the fourth quarter of the year is a confirmation of this.

- At this background, we maintain our positive forecasts for 2010-2011, but with the economy's investment starvation apparently getting worse we do not believe that Moldova will recover easily to the pre-crisis GDP. The country desperately needs an oxygen mask, i.e. investment, both from inside and outside the country. Without it, the economic growth will only be a mere reflection of an arithmetic growth from a very low base.

**Chart 2. Change in inventories, million MDL, current prices**

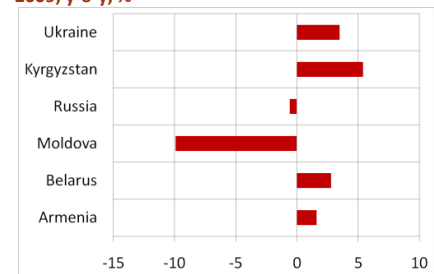


Sources: EG calculations based on NBS;

## AGRICULTURE

- The recently published official estimates for the 2009 agricultural output are in line with forecast made in our publications (see MEGA, 2009 fall edition). According to the National Bureau of Statistics, in 2009 the agricultural output contracted by 9.9% (10.5% in our forecast), due to a 17.4% fall of crops production (18.5%) and positive growth of 11.8% in the livestock sector (8.1%). After an abnormally high harvest in 2008, the outcome for 2009 is not as bad as it could seem, even though other CIS countries have fared much better in terms of agricultural production (Chart 3).
- Three issues have made the central points of policy debates in January 2010: foreign trade barriers, agricultural subsidies and a sudden rise in food prices. Exports of Moldovan alcoholic beverages to Russia stopped yet again due to the creation of a customs union between Russia, Belarus and Kazakhstan. Even though a political decision was taken by the Russian and Moldovan prime-ministers to find a solution, we do not expect an easy resumption of exports. Even more, as a customs union engenders significant technical difficulties, we expect difficulties for Moldovan exports to the three countries in early 2010.
- In December 2009 the Ministry of Agriculture and Food Industry announced reduction of the total agricultural subsidies fund for this year (MDL 300 million as compared with 560 million in 2009) and significant changes to subsidies policy. This decision unsettled large corporate farms, which in the past pooled 90% of total subsidies while providing 50% of total production. This dissatisfaction is related not only to the new qualifying conditions (proposing a business-plan, being member of a sector association and providing proofs of agricultural knowledge) but also to the intra-sector priorities. Indeed, priority will likely be given to the relatively small projects targeting production of high-value products, creation of processing companies and packing houses.
- Sudden rises in some foodstuff products in 2010 have touched the sensitive string in the Government which is already uneasy about the political costs associated with the unavoidable tariffs adjustment in the energy sector introduced earlier this year. Nonetheless, we do not believe that there are real reasons for concern. While some stuffs prices (such as sugar) rise in line with the trends of the international markets, others (dairy products) reflect the seasonal changes.

**Chart 3. Agricultural production growth rate in 2009, y-o-y, %**



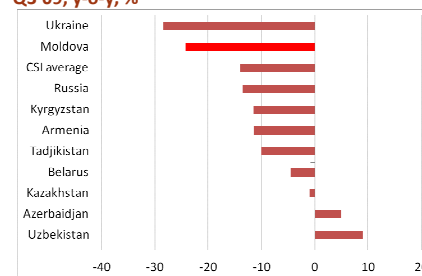
Sources: National statistical offices;

## INDUSTRY

- We expected that in 2009 the output of the industrial sector would shrink by 20%; it did by 22%, according to recent official data. This is one of the deepest industrial recessions in both Europe and CIS; among the countries close to Moldova, only Ukraine has had a similar performance, with a 22% drop in industrial production. Even though all three industrial sub-sectors – mining, manufacture and energy – registered significant declines, the reduction in manufacture has been the main driver of industrial recession in Moldova.

- Current picture of the industrial sector is the gloomiest in a decade. Many industries experienced a real free-fall in 2009: high-precision tools (-55%), machine-tools (-60%), leather-processing (-85%), sugar production (-65%). The few industries that have grown do not have a sufficiently large share to make a systemic effect: fodder-production (+40% production growth, but only 0.3% share in total output), tobacco products (+16%, 1.9%), production of plastic articles( +17.7%, 0.3%), production of electric machines and equipment (+9.2%, 4.9%) and – God bless cold winters! –production and provision of thermal energy (+2.7%, 2.9%).
- Even taking into account the financial crisis, is such a dramatic fall of the industrial output a normal one? Asked about the causes of production decline, managers of the industrial companies cited reduction in foreign demand, lack of raw materials and lack of financial means. However, we believe that financial crisis has only magnified the fundamental weakness of the Moldovan industrial sector – poor corporate management. As recently shown in an analysis done by Ministry of Finance, this is particularly a problem in the state-owned enterprises. We have mentioned this in the past, but consider important to stress it again: even though global and region economies are showing positive signs, poor corporate management is the most significant hurdle impeding a rapid and healthy resumption of growth in Moldova.

**Chart 4. Industrial production growth rate in Q1-Q3'09, y-o-y, %**

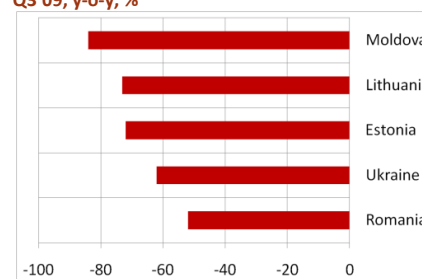


Sources: CIS statistical offices;

## INVESTMENT AND CONSTRUCTIONS

- Among other key macroeconomic indicators, investment registered in 2009 one of the most abrupt decline. We estimated previously (MEGA, 2009 fall edition) that capital investment would barely exceed 55% of the 2008 level. However, that estimate was based on the 80% reduction in the FDI flows to Moldova in Q1-Q2'2009. More recent balance of payments data show that in Q1-Q3 the FDI inflows shrank even more (-84%). By any accounts, this is a very large decline (Chart 5). Surprisingly, the recent data estimates that capital investment exceeded 67% of the 2008, which means that in the fourth quarter situation improved, but difficult to say in which sector exactly. The sources of the investment turn-around come mainly from “public sources”, while private and foreign enterprises did not change significantly their investment behavior.
- In 2009 the constructions sector has shown a record 30% contraction in the volume of the works. One suggestive indicator is that the Chisinau city hall has issued a total number of 850 constructions permits in 2009 as opposed to 1270 permits in 2008 (70%). Interesting to note, in Q4'09 the city hall has issued 230 construction permits, as opposed to 300 in Q4'08 (77%).

**Chart 5. Decline of FDI inflows in some countries in Q3'09, y-o-y, %**



Sources: National statistical offices;

## SERVICES

- In comparison with all other economic sectors, the transport services sector has certainly bore the brunt of the financial crisis. As seen from the Chart 6 the transport of passengers segment suffered very little. Situation is the worst in the cargo transportation sector, with the volume of transported cargo collapsing more than 3 times by March 2009. Reduced demand on the CIS markets has hit particularly hard the railroad transportation of goods. The road transportation of goods suffered most of all because of the falling domestic demand. However, by the end of the year, the sector has shown stabilization trends, as many other services and production sectors.

**Chart 6. Growth rate of the cargo and passenger transport, physical units, y-o-y, %**

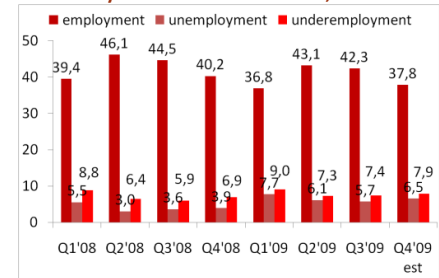


Sources: NBS

## LABOUR MARKET

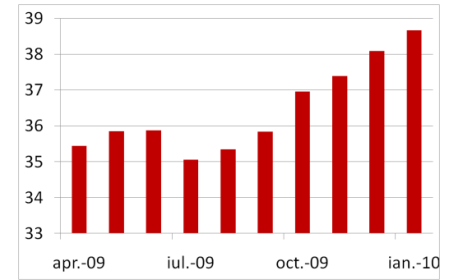
- As shown by NBS official data for Q1-Q3'09 and our (conservative) projections for Q4'09, the labor market indicators worsened throughout 2009 (Chart 7). Employment rate reached 42.3% in Q3 and we estimate a 37.8% in Q4 (2.2 p.p less than in 2008). The growth of unemployment somewhat slowed down in Q3'09, when the unemployment rate was 5.7% (as compared with 3.6% in Q3'08). We estimate a further increase in unemployment rate in Q4'09. Data from the National Labor Employment Agency showed an increase of 6.3% of registered unemployed in end-December as compared to end-September.
- Other important evolutions pointing that the crisis still affects the labour market is the evolution of underemployment rate and number of the economically discouraged people. In Q3-Q4'09 the underemployment rate has increased both compared to previous year and to previous quarters. The share of discouraged people in the inactive population more than doubled in Q3'09.
- In Q3'09 the number of individuals working abroad or looking for a job abroad increased compared to the second quarter, but still it was less than in 2008. As Moldovan migrants seemingly preferred lower salaries abroad to unemployment in Moldova, in Q2'09 the number of individuals working abroad did not decrease compared to Q2'08 (see Real Economy no.9). However, this is not the case anymore. Those who lost their jobs abroad and tried to find one in the beginning of the crisis, but did not manage, came back to Moldova. According to the statistics on remittances and the declining share of Russian rouble as a currency for remittances, these are mostly migrants from Russia.

Chart 7. Key labour market indicators, %



Sources: NBS and estimates by EG;

Chart 8. Number of registered unemployed, thousands

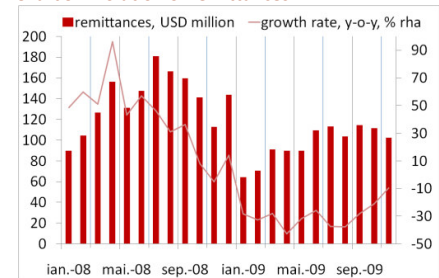


Sources: National Labour Employment Agency;

## HOUSEHOLDS' INCOME

- By the end of 2009 the salary growth clearly slowed down. The growth of only 4.3% in November 2009 compared to November 2008 is explained by the decrease in the salaries in the agricultural sector, where yields have not been as rich as in 2008. Also, a number of sectors that were most affected by the economic crisis (mining and quarrying industry, energy, gas and water sector, construction, transport and communications, financial sector) reduced wages.
- In November remittances<sup>1</sup> amounted to USD 102.2 million, slightly less than in October, due to seasonal evolution. According to our forecasts, in December the remittances increased to USD 130-135 million. Therefore, we can assess that the strongly negative trend in remittances ended in August 2009 (Chart 9). Taking into consideration the forecasted economic growth in the countries hosting most of the Moldovan emigrants, the recovery of remittances in 2010 will be moderate (5%, see more in MEGA, 2009 fall edition).
- The disposable income of the population increased in Q3'09. Interesting to note, in 2009 the share of income in kind increased compared to 2008. The share of salaries in the disposable income did not increase proportionally to the increase of wages, which is explained by many unpaid leaves. The share of social payments and income from the agricultural activity has increased over 2009, while that of remittances has declined.

Chart 9. Evolution of remittances



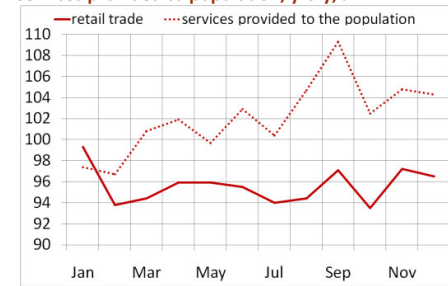
Source: NBM and EG calculations;

<sup>1</sup> Calculated as transfers of natural persons through commercial banks.

## HOUSEHOLDS' CONSUMPTION

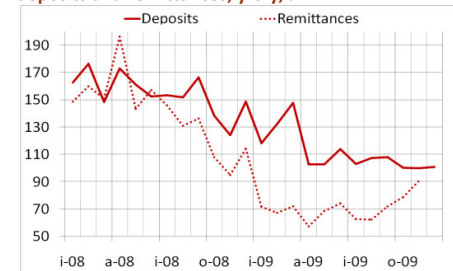
- Throughout the whole year 2009 the retail trade remained below the 2008 level. However, a slight stabilization was registered in November and December, with a y-o-y decline of 2.8% and 3.5% accordingly (Chart 10). Smaller demand for non-food goods continued being main component of the aggregate consumption decline. In December it decreased by 8.4%, while the retail trade of foodstuffs increased by 4.5%. The slight easing of the decline in December is in line with the moderation of the decline of remittances in November. Therefore, with the forecasted increase in remittances, the consumption might stabilize soon or already stabilized.
- The value of services rendered to the population increased 4.3% in December 2009 compared to December 2008, following the up-bent trend materialized in June (Chart 10). Thus, the major impact of crisis on the services rendered to population fell on the first half of 2009. Currently, the annual increase in services provided to the population is comparable to the rates of the beginning of 2008, before the crisis. Therefore, based on the current trends, in 2010 we expect an 8% increase in services rendered to the population. This will be the main element of the general increase in the service sector forecasted at 3% for 2010 (see more in MEGA, 2009 fall edition)
- Despite the first signs of stabilization of remittances, the deposits of natural persons in commercial banks stabilized at the level of 2008 in October-December 2009, after a moderate growth during the whole year (Chart 11). This is the influence of the decreasing interest paid by commercial banks for the deposits at the end of the year and the population's expectations regarding the monetary policy after the appointment of a new Governor of the National Bank of Moldova. Further trends in deposits will depend on the remittances, which will slightly increase in 2010.

**Chart 10. Growth of volume of the retail trade and services provided to population, y-o-y, %**



Source: NBS

**Chart 11. Growth of volume of population bank deposits and remittances, y-o-y, %**



Source: NBM and our calculations;

## PRICES

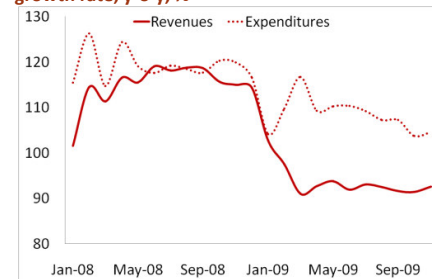
- The deflation trend has reversed in August 2009 and has resulted in a 0.4% end-year inflation rate. Being traditionally an inflationary month with increasing prices for foodstuffs, December 2009 was not an exception this year too. The growth of foodstuffs price index contributed 0.55 p.p. to the 0.9% monthly inflation rate. Prices for vegetables increased the most. The non-food products price index increased 0.5% following the trend of industrial producers' price index that went upward since April 2009. As for the services, the prices have also increased, but only for some components (passengers' transportation), with utilities tariffs being stable in the last month of the year.
- For Moldova, the low inflation rate in 2009 is an exception and we expect the prices growth to continue. The decision adopted earlier this year, to increase utilities tariffs may cause a robust jump in inflation for February of approximately 3% on monthly basis. Although this is a one-month change, it already generates systemic pressures and the NBM became lately concerned about the impact of such high value of inflation.
- In January, prices for some foodstuffs (sugar, eggs, and milk) rose. The authorities have been talking about market speculations that resulted in prices increase. No doubts, there are some speculations; however, some products are getting more expensive in line with global markets trends. For example, in Moldova sugar is 15% cheaper than in Romania and Ukraine and under normal conditions it should get even more expensive in the future.
- Also, the industrial prices increased in December 2009 by 1% on annual basis. The Industrial Price Index is still negative for internal market on annual basis. However, the increase in utilities tariffs will inevitably result in increase of IPI and then reflect further in CPI.



## BUDGETARY AND FISCAL POLICY

- Apparently, the Government managed to take under control the budgetary deficit and it is likely that it will match the Government's objective of 9% of GDP in 2009 and 7% - in 2010. In November 2009 some signs emerged that an economic stabilization is gaining ground, and this reflected in budget revenues. It was mostly determined by the more positive trends in revenues collected from VAT and excises as result of a more up-beat development of remittances.
- Despite attempts of optimizing public spending in some areas, the total public expenditures remained well above the level registered in 2008 (104.5% in November 2009). That was mainly driven by the social orientation of the policy. In November 2009, the volume of expenditures on healthcare increased 15.5% y-o-y, on social insurance and assistance – 15.2% and education – 7.8% (together forming 69% of total public expenditures).
- In December 2009, the Government continued actively borrowing from the internal market by issuing Treasury Bills. In December the average volume of the most demanded T-bills (182 days) sold per week equalled MDL 51.3 mil. (MDL 1.5 million more than in November and MDL 11 million more than in October). T-bills have been the main source for financing the deficit, covering 53% of it.

Chart 12. Budgetary revenues and expenditures growth rate, y-o-y, %

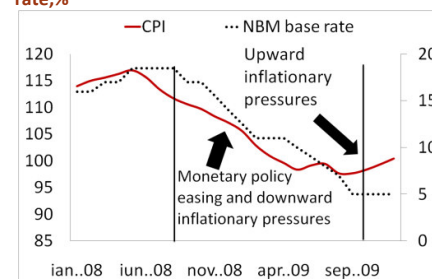


Sources: Ministry of Finance

## MONETARY POLICY

- As we have anticipated previously (MEGA, 2009 fall edition), in 2010 the National Bank of Moldova (NBM) started tightening its monetary policy because of the mounting inflationary pressures. On January 28, the NBM increased by 1 p.p. its base rate interest, as well as interest on long term credits. Acknowledging the escalating inflation tensions, NBM tightened its policy grip after a one-year period of easing monetary policy, with the base rate reaching a historical minimum of 5.0% in September 2009 (Chart 13).
- The central bank's policy response to rising inflation derives from its commitment to achieve 5% core inflation ( $\pm 1$  p.p.) in 2010. However the NBM will face a difficult challenge of ensuring price stability without undermining the economic growth prospects for 2010. Given this fact the central bank's anti-inflationary approach will inevitably be a balanced one.
- In Q4'09 the NBM increased its market interventions, buying large amounts of foreign currency. On January 22, 2010 official reserves reached USD 1466.1 million (USD 1290.5 million in August, 2009). In December alone, NBM bought USD 116.4 million, contributing to some extent to the 7.9% depreciation of the national currency. Two major reasons explain the NBM policy. First, it is necessary to boost the economy monetisation and that requires a certain depreciation of the Moldovan leu. As result, in October 2009 the monetary aggregate M3 started growing in annual terms, posting in December a +3.1% y-o-y growth. Second, NBM has to consolidate its reserves assets to guard the balance of payments stability in 2010. As result, the pool of official reserves exceeds by about 70% the volume necessary to cover 3 months of imports.

Chart 13. Evolution of inflation and NBM base rate, %



Source: NBM

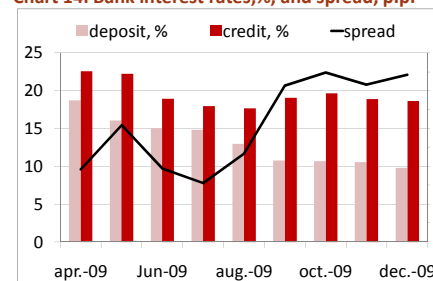
## BANKING SECTOR

- In the last two months of 2009 there was a somewhat moderate decrease in interest rates on bank credits in national and foreign currency (Chart 14). In December the volume of credits in national currency increased 41.6% month-on-month, while foreign currency denominated-credits almost doubled. However, this increase in lending activity has little to do with lower interest rates. It was rather determined by seasonal factors: in December companies are usually building stocks for the upcoming year, while the population's needs for financing get a bit higher. In year-on-year terms lending activity was

thus very low: in December volume of credits in national currency equaled only 59.3% of that registered in December 2008. On the background of the generally pessimistic economic mood, banks remained risk-averse and tried to cover the incurring losses, which translated in a growing interest spread.

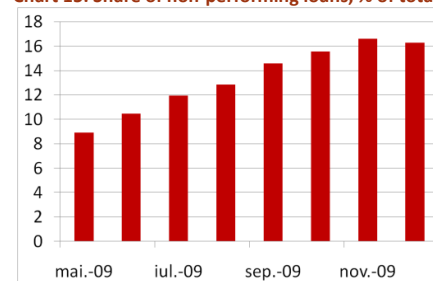
- We believe that the most worrying trend in the Moldovan banking system is the worsening credit portfolio (Chart 15). In December 2009 the share of non-performing loans in total loans reached 16.3%, twice above May and more than 3 times higher in y-o-y terms. Such a big share of non-performing assets formed because the worsening of debtors' financial situations in the context of the economic recession. It was the reason keeping commercial banks reluctant from decreasing the interest rates for credits in line with the decreasing trend for deposits. In order to avoid "intoxication" and worsening of the short- and long-term liquidity indicators, banks applied prudent policies by increasing the provisions for losses up to 9.65% of total credits, while in December 2008 this indicator was only 4.85%.
- As the demand for bank credits has plummeted and the banks curtailed lending, a mass of idle resources emerged. At end-2009 the liquidity indicators revealed that commercial banks have been rich in liquidities: long-term liquidity indicator fell to 0.6 (maximum allowed is 1) and the short-term liquidity indicator rose up to 38.27% (minimal requirement is 20%). With plenty of unused liquidities, it is no surprise that, for the first time in more than a decade, in December 2009 the ROA and ROE of the banking business turned negative (-0.39 and -2.12).

**Chart 14. Bank interest rates,%, and spread, p.p.**



Sources: NBM

**Chart 15. Share of non-performing loans, % of total.**

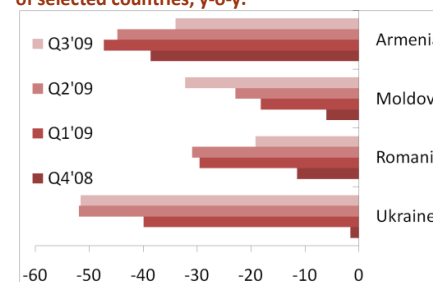


Sources: NBM

## FOREIGN TRADE

- The latest foreign trade statistical data show that signs of recovery observed in September-October have been gaining traction also in November 2009. In that month the exports posted a monthly growth of 10.9% and, for the first time since the global crisis effects came up in trade statistics in November 2008, a monthly year-on-year growth of 12.1%. This positive development is chiefly supported by two factors. Firstly, as global economy has been shedding gloom of recession, the external demand in main partner economies has picked up helping to stir upwards Moldovan exports. Secondly, since the crisis affected Moldovan exports already in November last year, the effect of comparison with a lower crisis-affected base contributed as well to more positive numbers in exports. However, in January-November 2009 the exports were still deeply in red: -21.2%. The overall export performance is generally in line with regional trends (see Chart 16).
- The data for January-November 2009 show that agri-food exports fared reasonably well in the wake of the global economic crisis, either showing moderate slides (foodstuffs, drinks and tobacco: -10.6%) or outright growth (vegetal products: +27.6%). The rest of exports had a much more difficult time, plunging by magnitudes varying from 78% in the case of metals to 19% in the case of textiles. At this background the share of exports to Russia has continued superseding those to Romania: 22.4 vs. 19.1% as share in the total of exports, although the EU continues to sit comfortably on the top of the table with 52.2% of total of Moldova exports.
- The recovery of imports is taking hold much slower, both as internal demand is recovering in a quite gradual fashion (although the inflow of remittances perhaps has accelerated somewhat towards the end of the year ushering way

**Chart 16. Quarterly percentage change in exports of selected countries, y-o-y.**



Source: EG calculations based on WTO trade database;

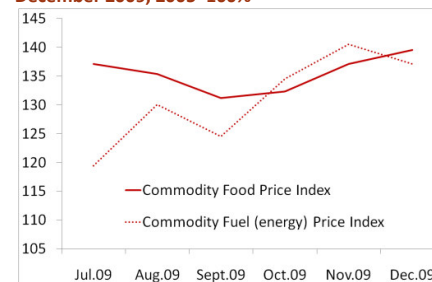
for a stronger consumption in the future) and statistical comparison effects will spill into the yearly data with a monthly lag in contrast with exports (see also MEGA, 2009 fall edition). Therefore, although imports posted monthly growth of 8.1% in November 2009, the yearly figures for this month are still gloomy: - 16%. Throughout January-November 2009 the imports also fell by 35.1% on an annual basis.

- We expect the slow but steady recovery both in exports and imports in the forthcoming months as brightening external economic outlook props up both Moldovan exports via more robust external demand (in January 2010 IMF revised upwards its October global economic growth forecast from 3.1% to 3.9%<sup>2</sup>) and perkier domestic consumption via livelier remittances inflow as well as more expensive vital imports, such as energy and fuels.

## GLOBAL ECONOMY AND MARKETS

- In late 2009 the trends on the main commodity markets remained intimately intertwined with the outlook and pace of recovery of the global economy. In early 2010 these two apparently reached some fragile balance<sup>3</sup>, however with memories of recent global financial turmoil still fresh in mind, the concerns about its sustainability abound.
- In January oil prices have been hovering around 75 USD/barrel, much above the minimums of the beginning of 2009 when prices fell just under 40 USD/barrel reflecting crumbling demand at the heights of the global financial debacle. The natural gas prices also grew from 222.48 USD per thousand cubic meters in Q3'09 to 232.2<sup>4</sup> USD ptc in Q4'09 and are set to increase further, reflecting with some lag the upward trend in oil prices, as well as extraordinarily cold weather in Northern Hemisphere. Little surprise, in early 2010 much higher gas tariffs have been adopted in Moldova as well (however some other factors have also contributed to the new tariffs level).
- The relatively high oil prices are supported by brighter global economic growth prospects (see revised IMF forecast) vastly supported by government-driven stimulus spending of varying degrees across major world economies. The growth, however, is more concentrated in developing countries than in developed ones (China alone posted 8.7% GDP growth in 2009, it also surpassed consecutively Japan and Germany as the 2<sup>nd</sup> and 1<sup>st</sup> biggest global exporter). The global growth remains highly fragile, dependent on continuous government support while node of global imbalances is still waiting to be disentangled.
- Wheat prices remain relatively high (206.25 USD per metric ton) but subdued at the background of projected production gains of 6 ml. tons (mainly in the CIS and Canada) and the projected 1.3% slack in global demand. Although the prices are well below the peak of 2007-08, the interplay of factors varying from overall high demand for food to pursuit of green energy will keep the prices high in 2010 (see more in MEGA, 2009 fall edition).

**Chart 17. Selected commodity price indexes, July-December 2009, 2005=100%**



Notes: Commodity Fuel (energy) Index includes Crude oil (petroleum), Natural Gas, and Coal Price Indices; Commodity Food Price Index includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges Price Indices.

Sources: IMF

<sup>2</sup> In regional perspective, Euro area is expected to grow by 1%, CEE by 2%, CIS by 3.8%, developing Asia by 8.4%, see IMF, WEO Update, January 2010.

<sup>3</sup> <http://www.quote.ru/research/news/2010/01/27/32688834.shtml>.

<sup>4</sup> Russian Natural Gas border price in Germany, source: IMF.



## STATISTICAL APPENDICES

Table 1 Moldova: monthly indicators

	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10est
Industrial production growth rate, y-o-y, %	69.9	76.7	76.8	76.5	76.9	77.5	77.4	84.2	84.3	n.a.
Retail-trade growth rate, y-o-y, %	95.9	95.9	95.5	94.0	94.4	97.1	93.5	97.2	96.5	n.a.
Services to population growth rate, y-o-y, %	101.9	99.7	102.9	100.4	104.7	109.3	102.5	104.8	104.3	n.a.
Merchandise exports, million USD	92.8	100.6	107.6	111.1	97.9	106.3	124.9	138.5	92.8	n.a.
Merchandise imports, million USD	241.4	242.9	259.7	264.8	233.9	286.2	304.6	329.3	241.4	n.a.
Official reserve assets, million USD	1.102.0	1.188.7	1.210.1	1.182.6	1.302.5	1.290.5	1.302.5	1.374.5	1480.3	1466.1
Registered unemployed, beginning of the period	35440	35851	35876	35066	35351	35838	36961	37398	38101	38676
Real wage growth rate, %	13.2	8.2	3.4	4.1	5.6	9.7	2.9	4.3	4.4e	0.0e
Budget revenues growth rate, cumulative y-o-y, %	-9.8	-10.4	-10.2	-9.0	-9.3	-9.7	-9.6	-9.4	n.a.	n.a.
Consumer prices growth rate, y-o-y, %	-0.3	-1.6	-0.8	-0.5	-2.2	-2.3	-1.6	-0.7	0.4	n.a.
Exchange rate, end-period, MDL per USD	11.30	11.22	11.24	11.21	11.21	11.50	11.06	11.11	12.30	12.53
Exchange rate, end-period, MDL per EUR	14.98	15.57	15.80	15.99	16.03	16.74	16.29	16.55	17.76	17.54
Broad money (M2) growth rate, y-o-y, %	-15.1	-14.0	-11.9	-14.7	-16.2	-15.5	-14.5	-10.1	-3.8	n.a.
Central bank refinancing rate, end-period, %	11.0	10.0	9.0	8.0	7.0	5.0	5.0	5.0	5.0	6.0
Bank deposit rate, %	18.72	16.04	15.04	14.85	12.99	10.77	10.66	10.56	9.79	n.a.
Bank lending rate, %	22.57	22.23	18.94	17.97	17.65	19.04	19.63	18.88	18.63	n.a.
Banks liquid assets, % of total assets	29.20	30.00	31.46	32.79	33.53	34.53	34.03	35.57	38.27	n.a.
Banks unfavourable credits, % of total credits	n.a.	8.92	10.47	11.95	12.88	14.60	15.57	16.62	16.30	n.a.
Currency deposits, % of total deposits	54.69	55.10	56.56	53.92	53.91	54.56	54.08	53.02	53.59	n.a.

Source: NBS, NBM and EG calculations and estimates;

Table 2 Moldova: key economic indicators

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009est
Population, million (excludes Transnistrian region)	3.644	3.635	3.628	3.618	3.607	3.600	3.590	3.581	3.573	3.568
GDP, billion USD, current prices	1.289	1.480	1.662	1.981	2.598	2.988	3.408	4.395	6.047	5.208
GDP per capita, USD at PPP	2112	2300	2533	2765	2028	2362	2561	2715	2998	n.a.
GDP growth rate, y-o-y, %	2.1	6.1	7.8	6.6	7.4	7.5	4.8	3.0	7.2	-8.0
Private consumption growth rate, y-o-y, %	27.6	6.1	5.9	18.5	6.2	10.1	7.0	3.6	4.5	-10.0
Gross fixed capital formation growth rate, y-o-y, %	-0.7	5.2	1.1	19.2	11.0	17.7	2.8	10.5	-7.8	-50.0
Industrial production growth rate, y-o-y, %	7.7	13.7	10.8	15.6	8.2	7.0	-4.8	-1.3	0.7	-22.2
Agricultural production growth rate, y-o-y, %	-3.3	6.4	3.4	-13.6	20.8	0.8	-1.1	-23.1	32.1	-9.9
Share of industry in GDP, %	19.0	21.8	20.2	20.5	20.5	19.1	18.0	19.1	19.5	15.6
Share of agriculture in GDP, %	25.4	22.4	21.0	18.3	17.5	16.4	14.8	10.0	8.9	8.7
Merchandise exports, million USD	476.7	564.6	659.7	805.1	994.1	1104.6	1060.8	1373.3	1646.0	1321.5
Merchandise imports, million USD	770.3	879.7	1037.5	1428.1	1748.2	2296.1	2644.4	3676.4	4866.3	3333.0
Service exports, million USD	164.6	170.9	216.65	249.93	332.08	398.94	465.66	625.08	837.2	677.7
Service imports, million USD	201.58	208.78	256.99	294.26	353.05	419.68	487.64	631.16	824.72	701.8
Net foreign direct investment, million USD	127.46	103.32	83.6	73.64	147.8	190.86	234.16	522.04	691.49	112.0
Net work remittances, million USD	148.4	202.8	286.3	440.2	659.5	868.8	1119.0	1419.4	1795.8	1342.4
Current account/GDP, %	-7.6	-1.7	-4.0	-6.6	-2.2	-8.1	-11.7	-15.2	-16.7	-8.6
Official reserve assets, end-year, million USD	222.65	228.54	268.87	302.27	470.27	597.44	775.3	1333.7	1672.4	1480.3
Total external debt stock, million USD	1723.7	1678.3	1816.5	1929.4	1881.8	2078.1	2528.9	3355.9	4106.1	4300.0
External debt/GDP, %	116.8	113.4	109.3	97.5	72.5	69.6	74.3	76.3	67.9	82.6
External debt/exports of goods and services, %	268.8	228.2	198.2	182.2	141.5	138.0	164.8	167.4	164.6	215.1
Employment rate, % of population aged above 15	54.8	53.7	53.3	47.5	45.7	45.4	42.9	42.5	42.5	40.0
Unemployment rate, % of economically active population	8.5	7.3	6.8	7.9	8.1	7.3	7.4	5.1	4.0	7.2
Real wage growth rate, y-o-y, %	2.2	21.6	20.9	15.4	10.1	6.8	14.2	8.0	10.2	9.0
Consumer prices, year average, %	31.1	9.6	5.2	11.6	12.5	12.0	12.8	12.4	12.8	0.0
General government balance, % of GDP	-1.8	-0.3	-2.2	1.0	0.4	1.5	-0.3	-0.3	-1.0	n.a.
General government expenditure, % of GDP	34.5	29.4	31.5	33.1	35.1	37.0	40.1	41.8	41.6	n.a.
Exchange rate, year average, MDL per USD	12.4	12.9	13.6	13.9	12.3	12.6	13.1	12.1	10.4	11.1
Broad money (M2) growth rate, y-o-y, %	38.8	37.8	30.4	24.4	44.8	36.7	12.2	47.3	18.3	-3.8
Central bank refinancing rate, end-year, %	27.0	13.0	9.5	14.0	14.5	12.5	14.5	16.0	14.0	5.0
Total commercial bank loans, % of GDP	12.7	15.3	17.7	20.9	22.6	25.5	29.3	37.2	37.5	35.0
Bank deposit rate, %	24.6	20.6	14.4	12.7	15.2	13.0	11.9	15.1	18.1	14.7
Bank lending rate, %	33.3	28.5	23.1	19.2	21.0	18.9	18.2	18.9	21.0	20.3

Source: NBS, IMF, NBM and EG calculations and estimates;